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## **Cox Announces Settlements With Finance Companies Over NorVergence Telecommunications Fraud Claims**

**LANSING, MI** – Attorney General Mike Cox announced today that he and the Attorneys General from 19 other states and the District of Columbia have reached settlements with three financing companies in connection with a widespread telecommunications fraud involving NorVergence, Inc., a bankrupt New Jersey-based telephone equipment and service company.

In the settlements, CIT Group/Equipment Financing, Inc. (CIT), Lyon Financial Services d/b/a U.S. Bancorp Business Equipment Finance Group (USB), and Wells Fargo Financial Leasing, Inc. (WFFL) will collectively refund or not collect more than \$24 million in rental payments from consumers according to the following formula:

- CIT: \$8.83 million not collected, 496 contracts affected, 10 states.
- USB: \$7.9 million not collected, 366 contracts affected, 18 states.
- WFFL: \$7.3 million not collected, 261 contracts affected, 20 states.

“Many Michigan small business owners were victimized by NorVergence’s bogus promises, and then suffered again when financing companies tried to collect for services that were not being received,” said Cox. “I am pleased that CIT, USB, and WFFL have agreed to forgive the bulk of the outstanding balances on their NorVergence contracts. These settlements will offer resolution to affected small businesses that were struggling to meet dead-end obligations, including some that were sued for payment in courts in Minnesota and Iowa.”

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CIT, USB, and WFFL are three of approximately 40 financing companies involved with the financing of telecommunications services through the rental of data routers that NorVergence called the Matrix box. NorVergence enticed small business customers to enter into rental agreements for a Matrix box that purported to provide telecommunications services by false claims of dramatic savings. While the rental agreements were typically for three to five years with payments of \$500 - \$2,000 per month, the market price of the Matrix box was no more than \$1,500. After securing contracts with businesses, NorVergence sold the rental agreements to different finance companies, including CIT, USB, and WFFL.

When NorVergence was forced into bankruptcy in June 2004, its customers were left without service but the finance companies, including CIT, USB, and WFFL, maintained that customers were still responsible for the five-year rental agreement payments. Customers who did not pay faced being sued or threatened with suits by USB and WFFL in the states in which they have their corporate headquarters, in most cases, a distant and inconvenient forum for the NorVergence customers.

All consumers who signed agreements with NorVergence that were bought by CIT, USB, or WFFL or signed NorVergence agreements directly with CIT, USB, or WFFL, will receive a notice in the mail regarding the opportunity to participate in the settlement. To accept the settlement offer, consumers must follow instructions contained in the notice. Also, any consumer that previously settled with the three companies regarding NorVergence service can opt to receive the same or substantially the same terms of this settlement, if they choose.

During 2003 and 2004, the Consumer Protection Division collected more than \$600 million on behalf of Michigan. In 2004, the Division stopped more than \$400 million in utility rate increases and responded to more than 102,000 consumer complaints.

A copy of the settlements with CIT, USB, and WFFL can be viewed at the Attorney General's Web site: [www.michigan.gov/ag](http://www.michigan.gov/ag) under the Consumer Protection link.